



# FY2024 First Quarter Earnings

Three Months Ended 12.31.23

Feb. 1, 2024



# Call Participants

**Zach Parker**

*President and Chief Executive Officer*

**Kathryn JohnBull**

*Chief Financial Officer*

# Forward-Looking Statements

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## **“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:**

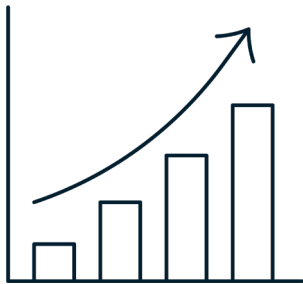
This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events or DLH’s future financial performance. Any statements that refer to expectations, projections or other characterizations of future events or circumstances or that are not statements of historical fact (including without limitation statements to the effect that the Company or its management “believes”, “expects”, “anticipates”, “plans”, “intends” and similar expressions) should be considered forward looking statements that involve risks and uncertainties which could cause actual events or DLH’s actual results to differ materially from those indicated by the forward-looking statements. Forward-looking statements in this release include, among others, statements regarding estimates of future revenues, operating income, earnings and cash flow. These statements reflect our belief and assumptions as to future events that may not prove to be accurate. Our actual results may differ materially from such forward-looking statements made in this release due to a variety of factors, including: including the measures to reduce its spread, and its impact on the economy and demand for our services, are uncertain, cannot be predicted, and may precipitate or exacerbate other risks and uncertainties; the diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread; the inability to retain employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; our ability to manage our increased debt obligations; compliance with bank financial and other covenants; changes in client budgetary priorities; government contract procurement (such as bid and award protests, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the impact of inflation and higher interest rates; and other risks described in our SEC filings. For a discussion of such risks and uncertainties which could cause actual results to differ from those contained in the forward looking statements, see “Risk Factors” in the Company’s periodic reports filed with the SEC, including our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as well as subsequent reports filed thereafter. The forward-looking statements contained herein are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and business.

# Q1 Financial Highlights

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## Revenue

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**\$97.9M**

## EBITDA

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**\$11.1M**

## Cash from Operations

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**\$5.1M**

## Debt Balance

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**\$174.4M**



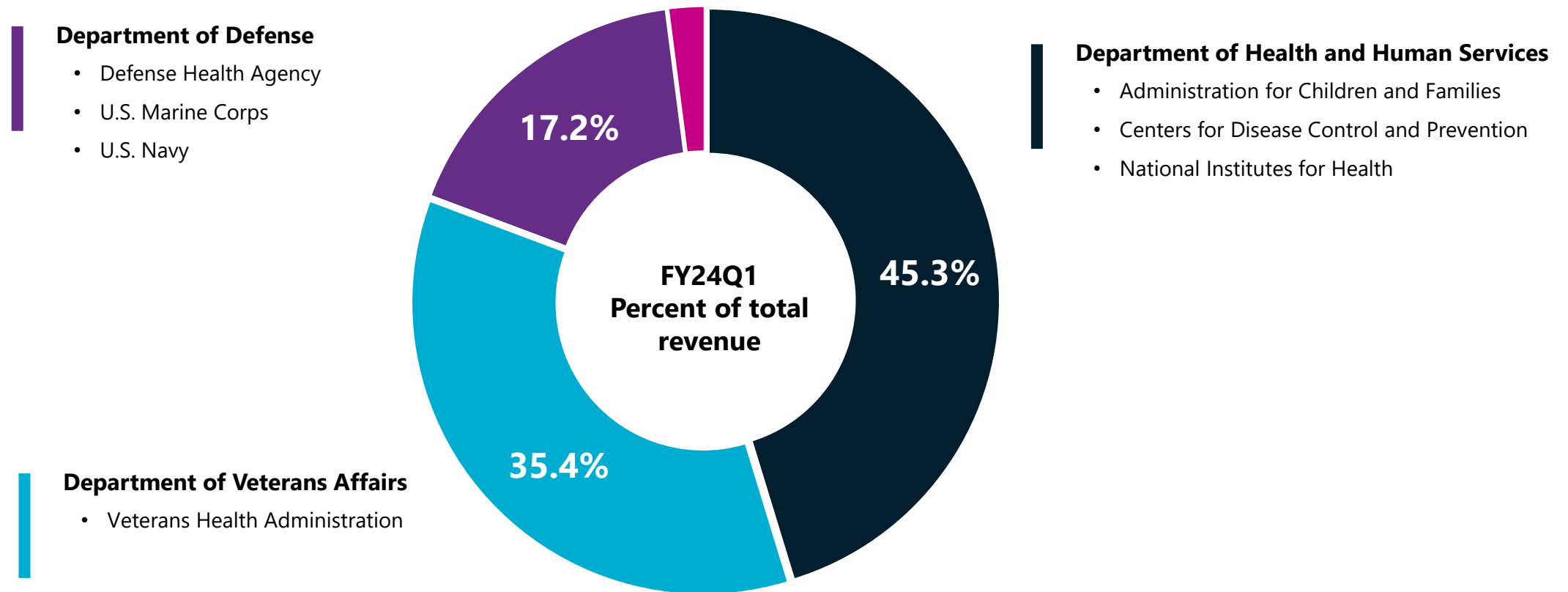
# Updates

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- **Government continues to operate under continuing resolutions**
  - Most recent law keeps entire government open through March 1 and some departments funded through March 8
- **Strong pipeline of high-value opportunities**
  - Investments in capabilities, credentials, and technology have built platform to meet customer demand
- **Attracting and retaining leading talent supports customer's critical missions**
  - DLH is officially 'Great Place To Work®' Certified; award based entirely on what current employees say about their work experience

# Broad Customer Base

Diversified customer set spans federal military and civilian markets, providing robust avenues for growth

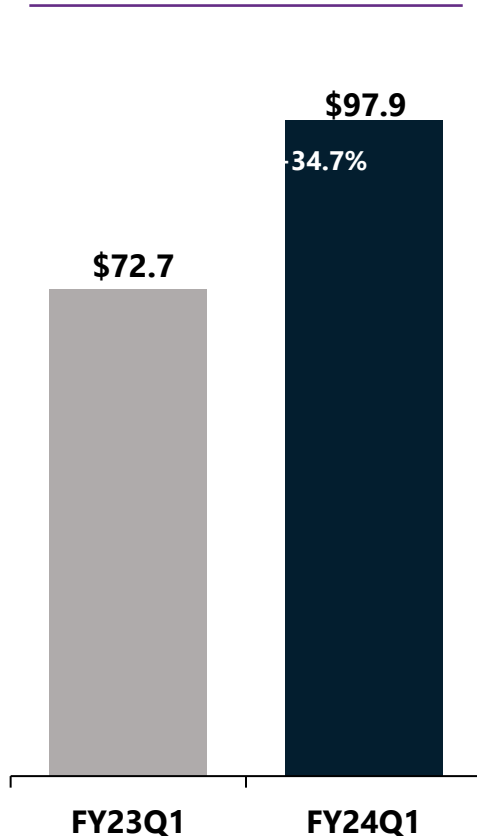


# Financials

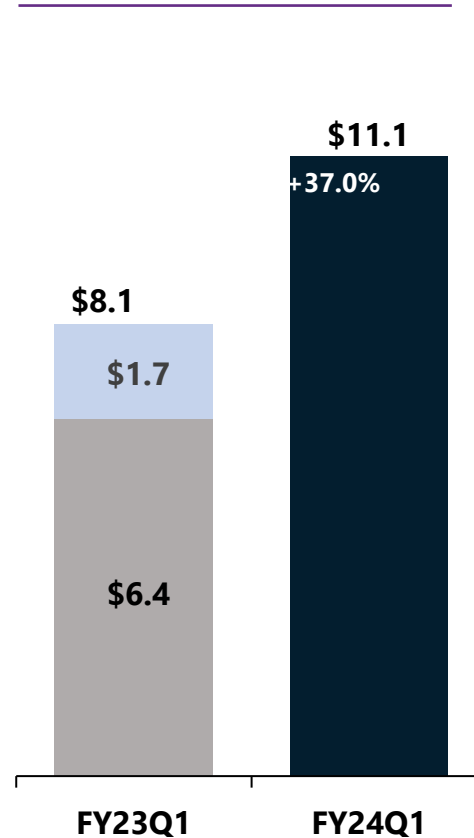
Kathryn JohnBull, Chief Financial Officer

# Key Financial Results (\$ in millions)

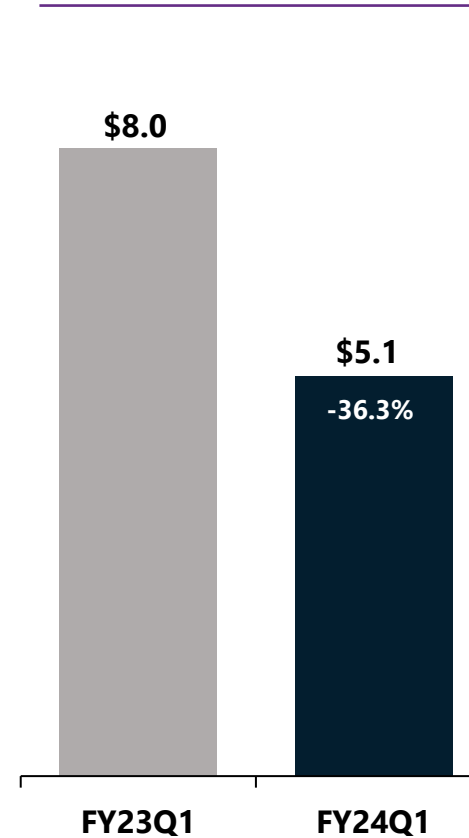
## Revenue



## Adjusted EBITDA<sup>1</sup>



## Cash from Operations

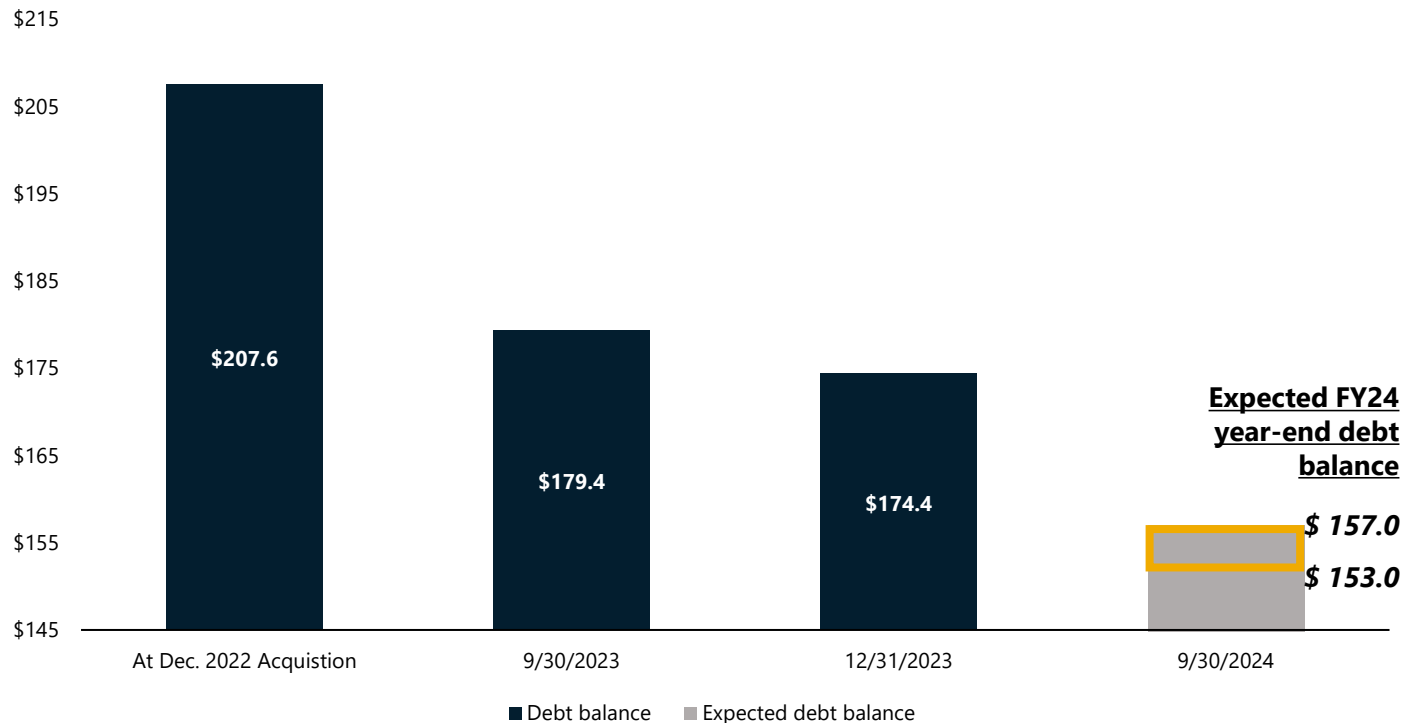


- Revenue growth principally due to the contribution from the December 2022 acquisition offset by completion of COVID-19 related projects and service delivery timing of performance-based logistics programs
- Fiscal 2023 Q1 EBITDA impacted by \$1.7 million of corporate development costs. Growth in Fiscal 2024 Q1 principally due to the contribution from the December 2022 acquisition
- Cash from operations reduced by an increase in working capital due to payment timing of key vendors

<sup>1</sup>A reconciliation of Adjusted EBITDA is included in the back of this presentation



# Quarterly Debt Paydown (\$ in millions)



## Q1 voluntary prepayments of \$5.0M; all applied to floating rate debt

Cash interest savings from voluntary prepayments on debt offset moderate increases in interest rates

- Significant cash generation through optimizing cash collections resulting in DSO of 51 days
  - Industry Peer Group average: 61 days
- We have satisfied all mandatory payments on term debt through fiscal 2024
- Continue to utilize voluntary prepayments to reduce future cash interest and achieve debt leverage ratio of below 3.5x by the end of fiscal 2024



# Questions?

Thank you!



# Appendix

## Non-GAAP Reconciliations

This document contains non-GAAP financial information including EBITDA and Adjusted EBITDA which are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance investors should (i) evaluate each adjustment in our reconciliation to the nearest GAAP financial measures and (ii) use the aforementioned non-GAAP measures in addition to, and not as an alternative to, revenue and operating income as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

“EBITDA” represents net income excluding interest expense, provision for income taxes and depreciation and amortization

“Adjusted EBITDA” represents net income before income taxes, interest, depreciation and amortization and the corporate costs associated with completing the December 2022 acquisition

## EBITDA and Adjusted EBITDA Reconciliation

	Three Months Ended		
	December 31,		
<i>(in thousands)</i>	2023	2022	Change
<b>Net income</b>	\$2,151	\$1,547	\$604
<b>Interest expense, net</b>	4,658	1,830	2,828
<b>Income tax expense</b>	10	544	(534)
<b>Depreciation and amortization</b>	4,253	2,402	1,851
<b>EBITDA</b>	\$11,072	\$6,323	\$4,749
<b>Corporate development costs</b>	--	1,735	(1,735)
<b>Adjusted EBITDA</b>	\$11,072	\$8,058	\$3,014

